

Modalities for a Twenty First Century Partnership
Building Durable Partnerships
Between American and Indian Development Organizations

DRAFT

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Section I. The Potential for Partnership Relations between American and Indian Organizations

Part I. INTRODUCTION

Purpose

The purpose of this Report is to assess the potential for greater USAID/India emphasis on the development of “independent sector” partnership relations between American and Indian institutions and identify factors and conditions pertinent to the success of these alliances.¹ A related objective is to articulate feasible alternative strategies that the USAID/India Mission should consider if they conclude that a greater emphasis on partnership building is warranted.

More specifically, it was anticipated that the Report would:

- Provide a cross-cutting frame of reference as the Mission develops its new 5 year plan to cover the period 2002 to 2007.
- Evaluate the potential for development assistance partnerships with the NRI community in the United States.
- Provide a skeletal outline of “next steps” should the Mission conclude that it should move forward in this area.

Finally and importantly, it was hoped that this Report might identify new modalities that would constitute “a different way of doing business” in India both in the short run with respect to operational matters and in the long term with regard to the overall direction of the US development assistance effort.

Approach

This Study has proceeded in three phases:

Phase I (July 31 to August 20, India): The consultant traveled to India and worked with key USAID/India staff. The consultant was updated on the current strategy development process and met with the different mission offices and strategy objective teams to solicit their impressions and ideas about the potential for GDA applications in their spheres of emphasis or sectors. The consultant proceeded to interview a range of Indian organizations where there might be a potential for engaging in long term collaborative relations with counterpart U.S. organizations. During this period the consultant traveled to Mumbai and

¹ The term “independent sector” is used in the broadest possible way to include not for profit entities, universities, corporate and public foundations, associations of all sorts. The Report also considers relations between corporations and independent sector entities and to a limited degree between government and the independent sector.

Bangalore to consult with key individuals and institutions in order to gain insights into alternative models of collaboration.

Prior to his return to the States, the consultant provided a written outline of the key opportunities, issues and constraints that have emerged from these preliminary discussions entitled “Building Durable Partnerships, Preliminary Observations”.

Phase II. (September 2- September 25, in the United States): During this phase the consultant met with key USAID/Washington staff in order to better understand the Agency’s thinking with regard to the GDA. The consultant then traveled to New York and California where he made contact with a number of non-resident Indians, institutions, and foundations and US corporations.

Phase III (September 26-October 18, India): The consultant returned to India to work with Mission staff to further develop a proposed strategy and to “ground truth” with Indian Institutions some of the preliminary findings developed in Phase I and II. This Phase of the consultancy began with “feedback” sessions from Mission staff to react to the draft findings developed during Phase I and augmented during Phase II. During Phase III the consultant prepared this Report.

Structure of the Report

This Report is divided into **two Sections**. The purpose of the First Section is to assess the potential for greater USAID/India emphasis on the building of partnership relation. This Section is divided into three **Parts**. The **Introduction** includes pertinent background observations, a brief discussion of partnering in general and a brief review of some of the factors correlated with successful alliances. **Findings** discusses the views and information that surfaced from interviews with over 100 sources regarding opportunities and constraints in building durable relationships. **Conclusions** draws on the Findings and is intended to distill some of the key motifs that have emerged from the survey.

The Second Section of the Report addresses alternative approaches and strategic options that the USAID Mission should consider if it concludes that there is merit in moving forward with an explicit partnership initiative. The first Part of this Section looks at **Program Alternatives**, the second Part examines the pros and cons of three different **Alternative Models**, the Third Part sets forth a series of **Conclusions**, and the fourth Part contains **Recommendations** with respect to which model the mission should choose and how it might wish to proceed.

Caveats

The subject of “partnerships is vast and complex.² The definition of the word “partner” or “partnership” is so murky that it allows the inclusion of virtually any type of

² The word “partner” is overused and misused. Particularly within USAID, it is employed to convey a mutuality of purpose and a level of joint participation that is often overstated. While there are elements of

relationship and the number of potential partnership associations is so large as to be almost unmanageable.³For this reason, when we talk about “partnership” of necessity we are dealing at a relatively high level of abstraction.

Fortunately, the terms of reference for this Report placed a perimeter around the scope of enquiry. Thus, this Report:

- Concentrates primarily on the construction of partnership opportunities whose purpose is to support or work through the so called Independent Sector i.e. the large and ill-defined group of entities that occupy space between government and the commercial sector.
- Concentrates primarily on potential relations between US organizations and Indian organizations as opposed to including potential relations between British and Indian organizations for example or partnerships between local Indian organizations.
- Focuses primarily on what this Report calls “trilateral partnerships”. That is, partnerships between two or more entities where USAID has played a catalytic or “marriage broker” role in encouraging and supporting the relationship. (This distinction is discussed in the next Part.)

Importantly however, the Report does include reflections on the pros and cons of GOI involvement in models designed to promote partnerships and does include a discussion of whether the US government is in appropriate position to cultivate partnership relations in India

This Report is based on a tiny fraction of the number of interviews that would need to be conducted to make reliable forecasts of, for example, the level of resources that could be raised from the NRI community or the likelihood that a particular foundation would support a particular project or whether it would be clearly preferable to locate a program at the national or state level. If a decision is made to move forward with any of the options discussed in this Report, it will be essential to conduct extensive and more detailed assessments that address specific questions or individual categories of organizations.

“partnering” to virtually every institutional interaction, the concept has practical value only when it is meaningfully to a perception on the part of both parties of an approximately equal balance of power. This is more than a theoretical point because unless there is clarification with respect to the meaning of the word “partner” any discussion about partnership modalities becomes quickly lost in a thicket of ambiguity. To illustrate, a contract is rarely if ever a true partnership; the provision of training or capacity building from USAID to an NGO is also not a partnership though both may have worked together in designing the program; most cooperative agreements are not true partnerships and a large number of grants, despite the admonition against interference, are not real partnership relations.

³ On the premise of 7 different types of institutions on either side of a partnership (corporation, private foundation, corporate foundation, government, PVO/NGO, individual, association) there are over 49 linear forms of association. If one includes USAID as a partner, the number increases to 64.

Background

USAID/India is about to embark on a 5 year planning process that will shape program priorities. In addition, the Mission has been asked to set forth a conceptual strategic framework that would guide the program over a 15 year period. There are several opportunities and constraints that combine to make this an optimal time to undertake a strategic review of the development assistance program, to examine the potential for deeper partnership relations and to consider the pros and cons of new initiatives and radically different ways of working in India.

- American/India relations in general are congenial and political realities suggest that budgetary restraints on development resources for India will not be severally problematic and may be relaxed.⁴
- The Indian “independent” sector is moving into a period of constructive maturity characterized by the gradual emergence of a professional cadre of managers, growing sophistication in fund raising and program management and the establishment of a variety of intermediate support organizations that will strengthen the sector and give it credibility and respect.
- The gradual opening of the Indian economy has generated significant dynamism in the private sector particularly in information and bio-technology and has produced a new group of aggressive and sophisticated Indian companies that are well positioned to compete in a global economy. This in turn has produced a group of wealthy business people who have the resources and the growing inclination to invest in the future of their country for philanthropic purposes and to insure the perpetuation of their commercial success.
- Within India, the beginning process of governmental decentralization signals an important shift of emphasis. Absent a standard template, the States are “writing their own script”.⁵ While progress varies from State to State, the shift in power offers a valuable opportunity for donors to design State-level interventions with systemic potential and perhaps a higher probability of success than has heretofore been the case.
- Because of recent economic success and the initial efforts to seriously undertake economic reform, there is an expanding level of interest in Indian development spread widely across several groups including private and corporate foundations, the US commercial sector, US universities and policy think tanks and international advocacy organizations. In part for geo-political reasons, in part

⁴ Although this Report was written in the immediate aftermath of the events of September 11, it does not attempt to assess the economic and political implications of that event on the subject matter under discussion.

⁵ Lynn Carter, Edward Anderson, “India A Preliminary DG Assessment”. May, 2001. MSI

because of its size and pivotal consequence with respect to any measure of development progress, the interest in India appears to be surging.

- The non-resident Indian community in the United States and in other countries has emerged as an important source of financial support and as a progenitor of ideas and managerial talent willing and able to “give back” to the country of their or their father’s birth. These individuals have established a variety of institutions and initiatives both in the United States and in India with a growing professional capacity to engage in important development work. By offering a fabric of connections throughout the country they constitute a very valuable group of potential partners.

With respect to the USAID program in India:

- The US bilateral development assistance program is very small in relation to the immense range of needs in this vast country of a billion people. At the same time, the demands are immense and the technical capacity of the Mission and USAID in general to find targets of opportunity that correspond to Agency priorities is quite large. This dilemma puts a premium on the identification of critical “tipping points”. At the same time it makes it difficult to identify a clear strategic direction or to maintain that focus over a sustained period of time.
- Flexible administration of a development assistance effort is seriously hampered by GOI review and oversight of the USAID program. Although the problem has existed for many years, it is viewed as particularly problematic as the Mission moves into a reflective period of long term planning and finds that its capacity to respond to creative initiatives is circumscribed by this cumbersome process.
- USAID/Washington has launched a global effort to identify and promote partnership relations in order to augment the Agency’s human and financial resources and to identify creative linkages that can channel the productive energies of private sector institutions on development. While the Mission’s interest in new and or strengthened partnerships preceded the Agency’s GDA initiative, the new policy orientation provides a productive context in which to assess the pros and cons of a Mission initiative in this area.
- Finally, while some years away, the termination of traditional USAID concessional assistance to India is on the horizon. The manner in which this is executed is important for political reasons and to protect and hopefully perpetuate the investment that the United States has made in the development of Indian society. In this long term context, the emphasis on programs or new entities that can remain in place to nurture productive partnerships between the two countries is intuitively and powerfully appropriate.

The Mission's interest in reviewing the potential for a deeper emphasis on partnership relations is based on several interesting premises that will be assessed in this Report.

- New partnership relations can either tap additional resources that would otherwise not be devoted to India's development or influence the management and direction of current resource flows so that they will be more productive.
- The mobilization of strong partnerships can be helped through a deliberate effort to identify and support these relations, or alternatively that the open market of networked connections needs some help from a purposeful intervention that the Mission can provide.
- A third and less definitive premise is that, at least for USAID, the dynamic center of the development effort in India is shifting away from donor designed interventions toward a facilitation of the energy and creativity of the private sector, broadly defined. While a reliable assessment of this premise is beyond the scope of this brief Report, it is an important theme that will influence the Mission's thinking as it develops its long range strategy.

Partnering: Some Broad Observations

There is a large and growing literature on partnering, alliances and collaborations among not for profits and commercial entities.⁶ If the Mission proceeds with a significant partnership initiative it will be important to collect and review this material. With respect to this particular Report and to the situation facing the USAID/India Mission, there are a few key points that emerge.

Trilateral vs. linear partnerships. For purposes of this Report it is useful to make a distinction between what we call a *linear* partnership and what we call a *trilateral* partnership.

In the first instance USAID is working with another organization (usually a grantee) to accomplish an objective. The partnership is between USAID and the grantee and they have a mutual goal that they are attempting to achieve. USAID has been engaged in this type of relationship for years and has vast experience in working in this fashion. While the GDA initiative would admonish more of this type of activity perhaps with new entities, this type of partnership relation does not constitute a new departure but rather an area of strengthened emphasis.

⁶ See for example, "How to Make Strategic Alliances Work, MIT Sloan Management Review", Summer 2001; "Partnership Principles: What we Have Learned about Partnering", Joseph D Stuckey et al, CARE USA, April, 2001; C. Stark Biddle "Factors and Conditions Correlated with Successful Partnership Relations", Academy for Educational Development, 1999 and C. Hardy and S. Biddle, "A Guide to Managing Partnership Relations", Academy for Educational Development, 2001. The latter contains an extensive bibliography.

In a *trilateral partnership* relation the structure of relations and goals is quite different. In this model, USAID plays a catalytic role whereby it identifies, nurtures and supports relations between two independent entities who are pursuing a mutual goal. In this model, USAID (or its designee) is acting as a facilitator, mentor, and match-maker and, in effect, is taking a back seat role and accomplishing results through the work of others.

In practice, there are an immense number of partnerships that lie along a continuum and that include both *trilateral* and linear components. Nevertheless, the distinction is an important one because outcomes tend to be different. To illustrate, the unique feature of the *trilateral* approach is that it tends to establish durable relations that will be in place after the USAID presence ends or priorities shift. The disadvantage is that because partnership relations are quite dynamic, it is more difficult to control results or to guide the partnership when engaged in a *trilateral* relationship. In fact, in some instances, the effort to push partners in a particular direction may be completely counterproductive in terms of the quality of the relationship itself.

The purpose of this distinction is not to throw down a gauntlet in challenge of results based programming. Both durable partnerships and the results that flow from these valuable relations are important. However, it critical to appreciate that there is both a conceptual and quite real tension between the two objectives and to address this tension in the design and support of partnership relations.

Funding partnerships vs. working partnerships. A second important distinction is between what we might term *funding partnerships* and *working partnerships*. The former can be linear or trilateral but they involve a relationship where the primary purpose is to generate a flow of resources from one organization to another in support of program of mutual interest. For the Mission, an example would include the creation of a partnership between an American foundation and a local NGO. Funding relationships are “partnerships” in only the loosest manner since the recipient is normally in a dependent or supplicant status.

A *working partnership* on the other hand is a relationship that is not based on funding but on mutual program objectives. In this instance, there may and frequently is an internal transfer of resources but the partnership itself is characterized by similar goals, similar functions and an emphasis on equality in the relationship

In most development partnerships there are elements of both attributes - - funding and program. Nevertheless the distinction is important because the skills and mechanics of putting together a funding relationship are different from those for putting together a program relationship. The emphasis under the GDA appears to be primarily on support for funding partnerships that augment the flow of resources to development purposes. However, there are immensely important partnership relations particularly in the areas of scientific and university

collaboration which do not involve resource flows but are based on peer interaction and professional exchange.

In addition to these distinctions, there are four important attributes of partnering and the partnership process that are directly relevant to this Report and to the Mission's review of alternative strategies.⁷

Partnerships are organic. First and of utmost importance, working partnerships are organic and change direction to pursue opportunities and models that emerge from the collaborative process. An important lesson is that if a partnership is to grow and achieve its optimal effect, it needs to be able to evolve at its own measured pace and in a direction of its choosing. Repeatedly in case study after case study of successful relationships the participants will emphasize that the relationship went in directions that were totally unanticipated at the beginning.

Partnerships take a long time to develop. Secondly, durable partnerships take a long time to establish themselves and require a patient investment of time and mutual learning. This is particularly true in the non-profit sector where compatibility of underlying values is so critically important to the relationship.

Partnerships depend on trust and transparency. Particularly in the beginning, partnership relations if they are to be effective depend on a high degree of interpersonal trust which in turn relies on transparency and a willingness to be candid about goals and capabilities. Over time, as partners become comfortable with each other, the importance of trust is replaced by a more objective assessment of benefits.

Partnering is a skill. There are practical steps that entities that engage in a partnership can take to increase the likelihood that the relationship will be successful. This is important because it underscores the fact that the success of a relationship not only reside in the inherent "fit" between the two entities but in the pragmatic way that the alliance is organized. Specifically, there are 3 steps that an organization can take to improve the likelihood of success: ensure top level leadership attention to the relationship; codify the intent, structure and responsibilities of the relationship in a written document that is negotiated between both parties; establish a designated unit within both entities to sustain and nurture the relationship and to resolve disputes when they arise.

Finally, it cannot be overstressed that partnerships are built on the basis personal relations and that a solid background understanding of the players and their interests and motives is absolutely critical to the brokering process.⁸

⁷ Summarized in "Factor and Conditions Correlated with Successful Partnerships", op cit.

⁸ In particular, additional discussions are needed with the US private and US corporate foundation community and with several more of the institutions established in the United States by NRIs.

Part II. FINDINGS

While interviews covered a wide range of interests, in all cases they included a series of questions regarding these core questions: *Would you be interested in more and/or deeper collaborations? Are there sectors or organizations that offer especially interesting opportunities; Do you feel that USAID has a role to play in forging stronger alliances and if so how should they perform this function? What impediments do you see?*

These are very large questions indeed and the responses tended to be similarly generic in their application. Nevertheless, several important core themes emerged that reflect a consensus view and that apply usefully to the articulation of a Mission strategy. In addition, there were several points that reflected the more narrow perspective of a particular group.

The generic themes include:

Strong support in principle. There is serious substantive interest in the construction of meaningful partnership relations - - both on a *linear* basis with USAID and on a *trilateral* basis with USAID and an American (or Indian) institution. The principles of alliances, collaboration, teaming and partnering are well imbedded in the language of most institutions that are engaged in development work and that were interviewed for this Report. In none of our discussions did we encounter cynicism or antipathy toward the importance of increased cross-border partnering between American and Indian institutions. In virtually all of our discussions, there is agreement that the fabric of relations between private sector institutions engaged in development work in India can be strengthened.

Timeliness of interest. There is an impressive consensus that the potential for US/India partnership relations of all sorts is at a launching point, that opportunities for collaboration are immense and that efforts to capitalize on this trend are timely. The reasons for this include: improved US/India relations; economic liberalization and governmental decentralization; the high profile success of many Indian entrepreneurs and business people who have immigrated to the United States; the networking power of the web and the commercial potential of the huge India market. There is agreement that all combine to stimulate the potential for a strengthened fabric of substantive relations between both countries.

Abundance of ideas. It is clear from this limited set of interviews that there is a rich assortment of interesting ideas and partnership concepts that could be exploited and developed. Most of the non-donor organizations that were interviewed had a program or a project where a *funding* or *working* partnership could be immensely valuable and several had clear ideas regarding services that could be provided through a partnership. While most of these involved *linear*

funding relationships with USAID as the funder, the expressed desire to find ways of working with other institutions suggests strong *trilateral* potential.

Unique commercial opportunities. There are very real opportunities to establish partnership relations between commercial organizations and non-profit groups that transcend the usual philanthropic paradigm and that are based on the pursuit of mutual benefit and gain. Particularly in India, where long term commercial success is so clearly related to development progress, there is a potential overlap between the profit motive and social purpose goals. In addition, there does not appear to be any heavy ideological baggage on the part of commercial firms regarding a constructive relationship with an NGO.

Need for facilitating mechanisms. There is broad underlying consensus that the impediment to putting together dynamic partnerships was not an absence of innovative ideas but rather the absence of mechanisms that could support and develop these concepts and move them to fruition. When partnership relations do develop they tend to be ad hoc and serendipitous as opposed to being the result of a carefully designed search process.

Special value of a USAID relationship. For those who would value a USAID relation, the perceived benefit of the partnership transcends the financial contribution that might be anticipated. For prospective partners, the comparative advantage that USAID would bring to the table is not so much its ability to fund activities as its capacity to act as a convener and coordinator to bring together diverse constituencies and to legitimize new relationships and new approaches. This is an important perspective because it identifies a comparative advantage that will need to be carefully protected in the design of a partnership initiative.

Support for Mission priorities. There is broad support for the bilateral partnership work that the USAID mission is currently supporting. This activity is viewed positively and has created a supportive climate on which deeper and more complex relations could be constructed.

This Report is not based on a sufficient number of discussions to provide a reliable profile of the views of individual categories of partnership participants and the following is not intended to be comprehensive or conclusive:

American PVOs. Those groups whose mandate includes India would be intensely interested and supportive of any endeavor by the Mission to proactively sponsor deeper and broader partnership relations between American and Indian entities, particularly Indian NGOs. In general, they would prefer a *trilateral* approach and would like to see USAID assume a supportive rather than directive role.

While these groups would be enthusiastic, it is very important to recognize that most American PVOs lack the discretionary funds to provide financial assistance

to an overseas partner. While they can provide mentoring, technical assistance, management support, fund raising advice and a networking capability, they lack the non-project resources to finance those overseas entities that they work with. On the other hand, a relationship between a local entity and an American group can significantly strengthen the likelihood of additional donor support for that group and trigger a flow of funds that would not have taken place. In general, US PVOs will not have serious difficulties working in a partnership relation involving the GOI.

American Foundations. Private foundations will be initially cautious about collaborating directly with the US government in a *linear* partnership because of concerns regarding real or perceived loss of independence and autonomy. Private foundations believe they occupy an important public space and are reluctant to compromise that position. However, there have been convincing examples of *linear* partnerships with foundations so these alliances are certainly possible. In general, foundation reluctance can be overcome where there is a mutual substantive interest in a particular area and where the foundation believes its programmatic goals will be furthered. One concept that might be relevant in India would be to program funds through a foundation where that entity has a comparative advantage in particular area. (The Ford Foundation and its knowledge of the Indian independent sector come to mind.)

Foundation partnerships are most likely to fall into the *trilateral* category and to be based on *funding* relationships. In this type of approach USAID would provide the resources that would enable the foundation to pursue its program with a local organization. For foundations, the most fruitful partnership structures will often involve multi-disciplinary teams organized around a particular issue area rather than one on one relationship with a single indigenous entity. Most US foundations will not have a difficult time working with central or state government.

Universities. USAID has had a University Development Linkages Program for many years. Interestingly, this is one and perhaps the only USAID partnership program that is deliberately *trilateral* in its approach. Several collaborations have been supported in India including the very successful relationship between Sinclair Community College and the Center for Vocational Education in Chennai that established a vocational education prototype that has been widely replicated in other cities. American universities are increasingly interested in working overseas and in establishing either subsidiaries, partnerships or in some cases, duplicate clones of their US based institutions. The Harvard Medical School has, for example established an international program whose purpose is to deliberately prospect for and develops overseas Harvard run medical schools. Other medical schools are attempting similar initiatives. Recently, the Wharton Business School and the Kellogg School of Management joined forces to establish a high quality business school in Hyderabad.

Universities will tend to weigh a prospective partnership relationship the same way a company will assess the pros and cons of an investment with the inclusion of such factors as access to new donors, increased opportunities for staff and the establishment of a laboratory for research in a particular area of interest. From a development perspective, the decision to encourage a university relationship will derive from an assessment of educational need.

Corporations. A great deal of creative work has been done to identify areas of overlapping interest between corporations and development agencies.⁹ In general, large multinationals do not have ideological concerns about partnership relations where the US is at the table nor would they be indisposed to working with national or state government. However, commercial firms do tend to be impatient with bureaucratic process and like to move quickly and efficiently. To observe the obvious, multinationals are pre-occupied with the “bottom” line”, they are often motivated to engage in socially responsible endeavors because of a desire to improve their image and they will tend to view philanthropic activity as a wise business investment.

Multinational corporations often engage in very productive associations with local NGOs although they may have difficulty and occasional frustration in understanding the culture and operative style of these groups and, in turn, local NGOs may find it very hard to understand the culture and values of the multinational. It is likely that the level of US corporate engagement will expand significantly in the next few years as liberalization proceeds and government controls relax.

NRIs and NRI organizations. (This is addressed more expansively in a subsequent section.) To summarize, NRIs and the organizations they have created have considerable enthusiasm for prospective partnership relations. This group tends to fall into two categories.

The first group include individuals and the smaller NRI associations that are primarily interested in finding reliable organizations whose programs they can support with reasonable conviction that their money will be spent prudently and effectively. This group is generally interested in humanitarian ventures or in support of “bricks and mortar” project like a local school or hospital.

A second group of NRIs includes very large donors and the (roughly) 10 to 15 national NRI entities that these groups have established. This second group possess the resources which could make a very significant contribution to development but in general lacks the on the ground capability or institutional structure to program philanthropic dollars in an efficient manner. This group tends to be comprised of second generation Indians who have made their wealth as Silicon Valley entrepreneurs. They are sophisticated, fiercely independent, sometimes internally competitive and exceedingly confident with respect to their

⁹ The Mission may want to review the work done by BHR/PVC and especially the CORCOM Project.

capacity to accomplish their social and economic goals. In general they are cautious and sometimes hostile toward the role of government, suspicious of the managerial competence of local NGOs and especially interested in the utility of high tech solutions to intractable development problems. This group will tend to shy away (at this point) from a *linear* relationship with USAID although cautiously open to *trilateral* partnerships. Thus, while there is considerable potential opportunity to establish a program or entity that would stimulate rewarding partnerships between NRIs and local groups, it will be challenging to engage this community in a cooperative and shared endeavor.

Indian corporate foundations. There has been an increase in the number and wealth of corporate foundations fueled by the information technology industry. Some of these such as the Premji Foundation are very large and have the potential to make a serious contribution in their area of interest - - education in this instance. In addition there is a core group of older well established foundations including several under the TATA umbrella.

The professional competence of these groups is diverse. The well established groups like those under the TATA umbrella have trained staff, thoughtful program strategies and sophisticated peer review procedures. The smaller corporate foundations on the other hand tend to be relatively new and less clear on their role and function. These groups tend to be run on a volunteer basis, understaffed and not yet fully familiar with foundation giving procedures. While in theory there are valuable opportunities for partnerships with Indian corporate foundations, not enough is known about this sector to provide much help in targeting potential relationships.

On a preliminary basis it would appear that a program that would support the maturation and professionalization of the Indian corporate foundation community would appear to offer a very significant opportunity both to increase the volume of resources allocated to development and to improve the quality of giving.

Indian private foundations. There are an immense number of small private foundations in India, most support a local hospital or shrine or temple. Prior to independence, these groups constituted the principal source of support for charitable and humanitarian work but have since been displaced by foreign donors as the main source of NGO assistance. The short term potential for collaboration with this large group is probably limited due to their narrow focus and principal interest in visible humanitarian or community welfare projects. In the long run, it will be very important to reach out and cultivate this community because of the vast resources at their disposal and in order to develop broad based constituent support for the independent sector.

The Non-Resident Indian Community

A central focus of this Study was the potential for accessing additional development resources through the Indian community in the United States and perhaps other countries. An underlying premise was that this group of individuals is affluent, well organized and increasingly motivated to “give back” to their country of origin.¹⁰ Accordingly, for the preparation of this Report, the writer interviewed a selected number of Indians in America and traveled to New York and Silicon Valley to interview several Indian associations that have been established in the United States. In addition the writer reviewed a number of recent studies and reports that have attempted to determine the nature and degree of NRI charitable interest.¹¹ The following summary constitutes a distillation of these various sources and perspectives.

- There are roughly 1.2 million Indians living in America with the first “wave” emigrating prior to 1965, the second after passage of the Naturalization Act of 1965 and the third in the middle 1980’s. The 2nd “wave” includes a relatively large professional class of doctors, lawyers, and scientists and the 3rd includes a large number of students who stayed on after their education with many moving to the West Coast to participate in the emerging high technology sector. The per capita income of NRIs in the United States exceeds \$48,000 and they constitute the wealthiest ethnic group in America.¹²
- The Indian community in the United States has been energetic in the formation of a variety of associations designed to promote professional concerns such as the Asian American Hotel Owners Association, the Indus Entrepreneurs and the American Association of Physicians of Indian Origin. These large groups have chapters in many of the major cities and support charitable programs in support of disaster relief, village schools, hospital construction and the building of schools and dispensaries. In addition to these national organizations, there are hundreds of smaller Indian organizations in the United States that are organized for social and professional purposes and that engage in organized philanthropy in support of a particular project.¹³

¹⁰ Celia W. Dugger, “Return Passage to India: Emigres Pay Back, NY Times, February 29, 2000.

¹¹ Priya Viswanath, “Diaspora Philanthropy and Non Resident Indians in the US”, Charities Aid Foundation, June 2000.

¹² A few examples: In excess of 750 companies in Silicon Valley alone are run by Indians with a value of \$3.5 billion. In 1999 over 1/3 of the skilled worker visas awarded by the United States went to Indians. In addition to their prominence in Silicon Valley, NRI’s are very important in the US hotel industry and control an impressive 57% of that sector.

¹³ A good example is Digital Partners in Seattle. This group attempts to connect entrepreneurs in the United States with social entrepreneurs in India to support development projects with a particular emphasis on the application of information technology to poverty alleviation. Although only a year and a half old, Digital Partners has put together an impressive list of advisors and supporters. Their work appears innovative and broadly relevant to current USAID priorities. A short summary of their activities is at Attachment ___ for illustrative purposes.

- The NRI community appears to be increasingly interested in “giving back” to India and in supporting worthwhile causes that will advance the quality of life in the country of their birth. In general, charitable giving tends to be personalized and linked to a personal experience or to an institution that was important to the individual’s development such as a university or to support of the village where they were born. While the information is thin, it appears that “2nd wave” Indian professionals who settled on the east coast give in small amounts for purpose and status and tend to be cynical about political trends in India and cautious with respect to donating significantly to overseas entities. The so called “3rd wave” of high tech professionals who tended to migrate to the West Coast has greater wealth, less cynicism and a stronger interest in supporting India philanthropy. Some of these individuals intend to return to India at some point, some have homes in both countries and frequently commute. A number of these individuals have made dramatically large contributions India’s future. In part because public gifts constitute a mark of success and delineates status, it is likely that the trend toward
- The flow and pattern of NRI giving is naturally influenced by external events. The Kargil war with Pakistan, the devastating Orissa cyclone and more recently the Gujarat earthquake have each stimulated an outpouring of NRI charitable support. The latter in particular, with the personal involvement of Bill Clinton generated several hundred million dollars and served to focus attention on the substantial resources of the NRI community and their potential role in Indian Development.
- While there are no studies to date that document the pattern of NRI giving, there are several trends and characteristics that are relevant our study of potential partnership relations:

West Coast NRIs appear to bring a venture philanthropy approach to their charitable work with an emphasis on social return on investment, close involvement with the grantee, a willingness to take risk and to cut losses if the investment does not appear to be successful.

The mix of NRI giving tends to place relatively greater emphasis on large gift giving than is normally the case. In general, the bulk of charitable giving for a particular cause will come from middle income donors in relatively small amounts. While NRI middle income donors are important, the large dramatic gift is much more frequent in the NRI community.

Despite the large numerical size of the NRI community and the daunting complexity of programs, organizations and associations that have grown up around this group, there appear to be a relatively small number of key leaders who have disproportionate influence and who tend to act as catalysts and “deal brokers” in starting and legitimizing charitable campaigns. While speculative, this observation is important because it

establishes a unique quality that should govern attempts to develop philanthropic relations with this community.

While charitable giving is highly personalized and still influenced by relief and humanitarian concerns, NRIs are increasingly supporting long term development activities with a less visible and more indirect impact. These efforts include the establishment of large new institutions in India such as the Indian School of Business in Hyderabad, support for existing organizations such as the organized effort to raise \$1 billion for the six Indian Institutes of Technology, the launching of new programs such as the India Literacy Project and the establishment of new funding entities dedicated to helping disadvantaged Indian children. A variety of new organizations have sprung up to tap NRI (and of course other) sources of support including for example, Digital Partners in Seattle, Action India in Oakbrook Illinois and the American Indian Foundation in New York.

There is an indication that NRI associations are consolidating and that charitable activity is beginning to be better structured and organized. This has included the creation of a large number of NRI web sites that both inform members of the community but that also encourage donations and provide vehicles through which NRIs can allocate charitable funds and the merger of 3 very large NRI associations, mentioned above and the recent establishment of the American Indian Foundation which may perform a consolidating and rationalizing function.

While the NRI community would appear to offer excellent opportunities for potential collaboration and partnerships, there are some significant barriers and constraints that need to be recognized.

- Repeatedly during background discussions it was emphasized that NRIs and NRI institutions are not good at collaborating, that NRI associations have difficulty working together and that individual philanthropists prefer to work independently. These second hand observations were reinforced through personal discussions which emphasized a reluctance to collaborate, a strongly entrepreneurial orientation and an overall sense that individual initiative and persistence are the keys to success.
- Some NRIs manifest a deep mistrust of Indian government and would quickly shy away from any activity where the GOI or even State government plays a prominent role. Others take a pragmatic perspective and would welcome government participation if it furthered their objectives.
- With respect to working with USAID, there is broad consensus that the taint of CIA complicity which hung over the Agency in India for many years has almost completely abated. However, there remains an association among many that because USAID works with government it supports and promotes

or at least facilitates the policies and the bureaucratic procedures of a sclerotic bureaucratic system and is thus tarnished through association. How deeply these feelings run or whether they would impede a working partnership is difficult to determine. However, they do need to be taken into account in the design of any initiative that would court and solicit NRI cooperation.

- As a funding source the NRI community has recently received a great deal of attention and study to a degree that may alienate their attitude toward prospective suitors. Studies in progress or completed include a monograph by Charities AID studies by the McArthur and Packard Foundations and of course this survey. In addition, the Government of India has commissioned a study of the potential for leveraging NRI resources and has asked the former Indian Ambassador to take the lead in developing liaison relations with NRIs in England and elsewhere. NRIs complain frequently about the inordinate amount of time that fund raising consumes and the persistent “badgering” to support one worthy cause or another. It is possible that the sum of this considerable attention will be counterproductive.
- Reflective of their background and experience, NRIs tend to have a number of specific concerns that may limit their enthusiasm for partnership relations. These include worry over corruption and misuse of funds particularly by Indian development agencies, skepticism regarding the high administrative costs incurred by NGOs and by donor entities, particularly the United Nations and discomfort regarding inefficient management. NRIs may also be frustrated at the slow pace of development and the cumbersome structures used to transmit assistance and have a concomitant desire for new approaches and faster solutions to intractable development problems.
- On the basis of limited anecdotal contact, there is some question as to whether or not NRIs would be comfortable with the gradual, systematic and analytical approach to development that is taken by most development agencies, including USAID in particular. Particularly 2nd wave NRIs, with their experience rooted in entrepreneurship and the accelerated success they have experienced may be ill suited to the gradual building block approach that is used to identify and evaluate the benefits of alternative development programs.
- NRIs are likely to be particularly perplexed at USAID monitoring and procurement policies and are likely to “go ballistic” (as one friendly NRI observed) at the prospect of a US government audit or the preparation of an R-4 report. The ability to remove this paraphernalia from the relationship will be a strong inducement to harmony.

Several important implications regarding the prospects for USAID/NRI cooperation emerge from the preceding.

- Cultivation of NRI interest in engaging in collaborative endeavors with USAID will not be successful unless the constraints and impediments noted above are addressed.
- A specific issue is whether NRIs will be comfortable working directly with an arm of the US government and contributing to programs where the US government is involved. Because there are contradictory views, the design of a mechanism to work with the NRI community should have the capacity shield its relationship with government when necessary or to access that relationship when helpful.
- There is a very real opportunity to design and put in place an intermediary facility that would have an on the ground capacity to administer contributed funds on behalf of small and medium size donors and NRI associations. Virtually all of the NRI groups have a window through which members can make a voluntary contribution but many lack an ability to program this money and to monitor its disbursement in a professional manner.
- In a similar vein, there is a significant need to develop a facility that can prepare a menu of worthy programs and projects that can be supported by the NRI community. This responsibility could range from an entity that simply lists promising activities to a mechanism that conducts due diligence surveys and that evaluates the prospective impact of the proposed activity.
- Relations with the NRI community will depend on a capacity to gradually cultivate a climate of trust. It is impossible to over-emphasize this point and critical that it be integrated into any approach designed to access NRI support. In the case of USAID, for example, this implies complete openness with respect to the requirements of the procurement and monitoring system and clarity with regard to the implications of results based programming.

The emphasis on trust suggests an attenuated process of engagement and a willingness to tolerate the slow and gradual formation of joint activities. It is most likely that success with the NRI community will begin with very small mutual endeavors that gradually lead to more ambitious alliances.

The American Indian Foundation

The recent emergence of the American Indian Foundation illustrates some of these opportunities and constraints. The Foundation was established to respond to the devastation of the Gujarat earthquake and pursuant to an initiative by two highly successful and respected NRIs, Rajat Gupta of McKinsey and Victor Menezes the President of Citibank. The effort was given impetus and exposure by the support and

participation of Bill Clinton. A series of fund raising appeals was immensely successful and roughly \$70million was quickly raised.¹⁴

The impressive initial success of the Foundation generated considerable public attention and high expectation levels. However, the establishment of administrative mechanisms and the effective programming of contributed funds proved difficult and time consuming and there was a public outcry that desperately needed disaster funds were not being disbursed. To move things forward, the Delhi based staff of McKinsey agreed to provide on the ground *pro-bono* support and Citibank in New York secured professional staff to help in program development and administration.

The Foundation is currently in the process of re-thinking its future and identifying long term goals that it might pursue. A President (a successful and capable business woman) has been located and a full time Executive Director has been appointed. A part time volunteer staff from both McKinsey and Citibank are assisting in program design and backstopping in New York. A local network of voluntary support has been established and agreements with four relief oriented NGOs have been negotiated in India.

Although a final long-range strategic plan has not been established and program priorities have not been delineated, Foundation officials speak of an institution analogous to the Ford Foundation with a sustained program of support financed by NRIs in American and other countries. There is no intent to raise funds locally in India.

While the goals are laudable, it is clear that the Foundation will face a number of challenges. These include the establishment of an administrative structure in the United States and India that can collect and allocated contributed resources against well conceived program objectives, the creation of linkages and alliances with the panoply of other donors and foundations that are working in India and the development of a style and approach toward grant making that is workable and effective.

The senior people associated with the Foundation are confident in their capacity to build and administer a powerful program that will have a significant impact on India's future. The reverse side of this confidence may be a disinclination to reach out for advice and an abiding belief that the Foundation has the contacts and horsepower to overcome all obstacles. While the ambition is admirable, there is a current combination of naiveté and insularity that may impede the Foundation's capacity to reach out for assistance and establish alliances that will be necessary if it is to be successful. In hypothetical discussions with Foundation officials with respect to USAID cooperation, it was abundantly clear that the Foundation wants to set its own course. On one hand, Foundation official speak of partnership relations in glowing terms, on the other the prospect of USAID involvement that would be directive or controlling touches a raw nerve.

¹⁴ This number may be inflated. It apparently includes commitments rather than cash payments which may be particularly difficult to collect in view of the economic downturn.

The Indian Independent Sector¹⁵

There may be as many as 1 million voluntary associations in India. These groups run the gamut from highly sophisticated entities of a world class stature (perhaps 50 to 75 organizations) to a vast number of very small emergent grass roots groups that function primarily on a volunteer basis with no permanent staff or set of operating procedures.

In comparison to other countries, Indian NGOs depend inordinately on central and state government support and particularly on funding from foreign donor agencies and individuals. This mix reflects the traditional role that government has played as a consequence of central planning, the post-independence increase in the tax burden that discouraged charitable giving and the easy availability of foreign funding.¹⁶

In general, the legislative and regulatory framework is favorable to the NGO sector. Donated income is exempt and deductible and the registration process, aside from red tape and bureaucratic delays, is straightforward and non-intrusive. The sector, as it matures, needs the full array of training and support services in the core areas of financial management, planning, program management, and board relations.

India is so vast and the NGO sector is so large that it is virtually impossible to focus on a single area of need or a primary organizational deficiency. However, during these discussions, there were several themes that emerged:

The lack of money is not the principle problem. There is a broad consensus that lack of financial resources is not the most critical impediment to the health and sustainability of the sector. While money is important, there are many sources of funds and a willingness to contribute to good projects and well managed organizations.

Excessive financial dependence on foreign and government funding has retarded the healthy development of the sector. The main barrier to resource mobilization has been the limited capacity of the NGOs to cultivate alternative private sector sources of support. This deficiency has meant that private sector philanthropy has not had the stimulus to develop or the incentive to establish the institutions needed to support a vibrant voluntary sector. There is a lack of awareness about philanthropic opportunities, a lack of information to put funders and recipients together and an absence of research to guide policy makers and donors. In the long run, the health of the sector will depend importantly on the ability of NGOs to diversify their funding base and develop an informed public.¹⁷

¹⁵ We use the term “independent sector” here rather than “civil society” because it is more inclusive and covers the full range of activity in the non-profit sector. The term “civil society” has come to carry a more narrow meaning to describe those organizations that engage in some form of advocacy work designed to change policy or influence the behavior of some group. Often the terms are used inter-changeably.

¹⁶ “Strengthening Philanthropy in the Asia Pacific: India, an Agenda for Action”. Asia Foundation, Background paper, September 2001.

¹⁷ Giving and Fund Raising in India, Indian Centre for Philanthropy, 2001

The absence of core funding is a constraint. While this is complaint in most countries, in India it appears particularly problematic and reflects some mistrust of the sector, a lack of financial sophistication on the part of NGOs and an emphasis on individual giving and on the creation of high profile projects of a congratulatory nature. An unfortunate result is that Indian NGOs appear particularly vulnerable to “mission creep” and quite willing to bend their program priorities in order to access new or additional sources of money

There is limited amount of funding available for R&D or experimental work. Most individuals and corporate donors understandably prefer to give to established programs and proven projects and resist investing in new and/or untested activities. This is problematic because the NGO community is particularly well placed to test innovations and unique models that could be subsequently mainstreamed by government or adopted by other NGOs.

There is limited funding for Intermediate Support Organizations. There is an emerging framework of intermediate support organizations that will be critical to the future development of the sector. These groups exist at both the national and state levels and work in such areas as corporate social responsibility, advocacy for legal and regulatory reform, capacity building and sectoral research. A number of these groups were established by the Ford Foundation and in general, they are expertly staffed and of very high quality. At the same time, it is abundantly clear that their modest size and limited overall impact is far below what is needed to support the responsible growth of the sector.

To date, support for ISOs has come principally from Ford and smaller overseas donors. Because these groups are less attractive to individuals and local corporations and because it is difficult for them to compete with the constituents they serve, their financial future is risky. At the same time, their long term growth is essential to the success of the sector.

While corporate giving is beginning to emerge, it has not been institutionalized and made a regular component of the company budget. Corporate giving in India tends to fluctuate dramatically with business cycles, be based on personal connections and family relationships, concentrate primarily in the immediate community and be for individual meritorious projects. Although there is an emergent interest in corporate social responsibility and a more professional approach to philanthropy, this is at a nascent stage. There are very real opportunities to establish partnership relations between commercial organizations and non-profit groups however there are limited intermediate entities that can identify, develop and market these opportunities in a creative manner.¹⁸

¹⁸ The India Foundation, supported heavily by Ford, was an attempt to improve NGO/corporate relations and stimulate more corporate giving. This entity has only been partially successful.

There is an underlying tradition of philanthropy but it needs to be strengthened and better institutionalized. A very high (96%) of middle and upper income Indians make personal charitable contributions with the large bulk of funding for community welfare activities, church related programs and national humanitarian disasters. Support for more complex development programs and for advocacy efforts and public policy research is very limited.

Cross- cutting Issues

The previous discussion has focused on the opportunities to be derived from greater emphasis on building partnership relations. However, a number of issues and skeptical questions emerged from the interview process.

There is no need for a special program. Partnerships are forming naturally and USAID involvement has no added value. An underlying premise of the GDA emphasis on partnerships and the Mission's interest in capitalizing on this potential is an implicit judgment that the "partnership marketplace" is not as efficient as it could be and that a deliberate intervention is needed to identify and nurture partnerships that would otherwise not come into being.

While it is hard to test the hypothesis, there is considerable anecdotal evidence from interviews and case studies that a facilitating entity could in fact make a very significant contribution in getting new relationships up and running. In particular, what seems to be lacking are mechanisms that can take the good ideas regarding potential synergies between different organizations and support them through the gestation process with financial help, technical assistance, mentoring and the provision of networking support. Repeatedly in interviews it was emphasized that the difficulty in establishing international partnerships was not a scarcity of creative insights but a capacity to move these good ideas forward.¹⁹

While there may be a pay-off to more partnership relations, money is not the constraint and aside from that USAID brings no comparative advantage.

There was in fact a general consensus among many of the interviewees that money is not the primary constraint in forging productive relations between American and Indian organizations.

However, there was a strong consensus that what USAID brings potentially to the table is a rich fabric of linkages, its associational power as an arm of the US government and its strength as convener and nodal point for the interaction between diverse institutions and individuals. This is a valid and important perspective because it underscores a critical requirement. If USAID's strength as a progenitor of partnerships is in fact its role as convener and network provider, a

¹⁹ Here are a few examples. The American India Foundation wants USAID support for its volunteer program but does not know how to access the Mission; the Physician's of Indian Origin with 32,000 members has a philanthropic arm and responded warmly to a description of the USAID priorities in the health area but has no idea how to contact or work with the Mission

deliberate effort to shift in this direction will need to preserve and protect this important capacity.

The USAID interest in building partnerships is simply “old wine in new bottles”. There is nothing that warrants a programmatic or organizational initiative. This is a serious complaint particularly when it comes from staff that have devoted much of their career to forging strong development partnerships. From this perspective, it may indeed be difficult to ask professionals to become passionate about an initiative that echoes work that they have been doing for years.

However, if the emphasis on partnership creation is one that focuses on the construction of *trilateral* relations where USAID acts in a catalytic, supportive and low profile capacity, then the emphasis on partnerships contains the seed of a quite different approach to the provision of development assistance that is consistent with the trend toward the privatization of foreign assistance and the catalytic albeit non-directive role that USAID might play.

There is a fundamental contradiction between supporting trilateral partnerships and the current emphasis on achieving pre-defined results. The validity of this concern is difficult to deny. A key attribute and a key strength of a partnership relation is its propensity to find its own direction and its disregard of prior intent. Particularly in a *trilateral* relationship USAID would play a subsidiary role and is not in a good position to be directive. In this atmosphere, the specification of future results may be illusory.

On the other hand, partners do come together to achieve results and will eventually fall apart if this is not the case. If results are totally ignored, donors may find themselves supporting conferences and tea parties. Both the organic and the results based nature of a relationship need to be honored.

An alternative way of addressing the concern about results is to take into account the fact that the risk of achieving pre-determined outcomes is greater in a partnership relation. This added risk can be offset to the extent that there are added long term benefits. From this perspective, the challenge is to modify the process for assessing results to include a longer time frame.

A shift in Mission culture. The role of being a catalyst in a three-way relationship is significantly different from the role that USAID plays in a linear partnership where the Mission works directly with an implementing entity to accomplish a mutually desirable result. The former requires heightened sensitivity to organizational dynamics in addition to technical and programmatic skills. This is by no means to suggest that this is beyond the capability of this or any other Mission, but it is important to emphasize that the functions are quite distinct and need to be recognized.

This is an important and valid concern that needs to be addressed in the design of a partnership initiative.

GOI oversight of the USAID program constitutes a significant barrier. While the degree of resistance will vary from group to group, it is reasonably clear that a program initiative subject to close oversight from GOI authorities would not be an initiative likely to curry favor in the Indian corporate community, among NRIs or with the independent sector. Nor for that matter would it likely appeal to counterpart organizations on the American side. Even if the bureaucratic and procedural delays inherent in GOI oversight were fully overcome, the flavor of official involvement would be distasteful to prospective participants.

This also is a valid concern that needs to be addressed in program design.

Caution with regard to USG involvement. There is a mixed reaction to the idea of working in a partnership relation with a US government entity and it is impossible to reach a generic conclusion with respect to whether or not direct involvement of USAID in either a *trilateral* or *linear* partnership would be perceived as a benefit or liability.

In general, Indian and American commercial groups would view USAID participation favorably as would most American non-profits and private voluntary agencies. On the other hand, private American foundations and some Indian foundations and Indian NGOs would be more reluctant. On balance, where there is significant substantive interest around a particular issue or program area, hesitation to engage with the public sector is likely to abate as is the case with the Gates/USAID collaboration and with the Soros Foundation involvement in the US/Baltic Partnership Trust.

Cumbersome and intrusive nature of USAID procedures. Although the attitude toward a more pro-active USAID effort to forge partnerships is cautiously positive, there is near universal apprehension with respect to the application of bureaucratic procedures and cumbersome reporting requirements.

This is an especially important concern to corporate entities and to individuals with a business background that may be intolerant of the slow pace of government procurement actions and the weight of oversight procedures. In addition, US foundations in particular, may view monitoring and reporting requirements as an inappropriate invasion of their sovereign independence and resist these intrusions on the basis of principle as well as efficiency.

Dangerous terminology. There is considerable confusion about the term partnership and among some the word triggers a negative response when it is associated with the American government.

While it is difficult to disentangle this view from the current political situation, it is important to understand that the common application of the word “partner” conveys expectations of equality, a level playing field and decision making transparency. If these are not present in the relationship, disappointment and cynicism may result. For this reason, it may be preferable to employ terminology that is less burdened with metaphoric meaning.

Skepticism regarding the establishment of a new organization. A minority of donors and US foundations, while supporting the partnership theme, questioned the utility of establishing a separate institution to manage it. The basic arguments was that indigenous NGOs could better serve this facilitating function.

This appears to be a very legitimate point. If a decision is made to give external organizational form to a partnership initiative, first preference should be given to an existing entity.

Part III. CONCLUSIONS

The following set of Conclusions address the question of whether there is a potential for greater USAID/India emphasis on the development of independent sector partnerships between American and Indian Institutions.

1. **Opportunity.** There is a rich opportunity for the Mission to engage more proactively in the identification, support and building of partnership relations. The language of partnering is gaining currency, the popularity of collaboration is in ascendance, there is an abundance of interesting partnering projects and concepts and there are potential resources to support more alliances.
2. **Net impact.** Increased partnership activity will augment the flow of resources moving into development and/or improve the effectiveness of these expenditures. The removal of barriers to resource flows by establishing institutional linkages to facilitate these flows can constitute a net additional investment in the building of social capital. However.
 - a. Large, dramatic alliances are not likely to quickly emerge in the short run because of the need to establish trust and identify areas of collaboration.
 - b. Partnerships can have significant non-monetary impacts as for example in the case of a university to university collaboration.
3. **“Marketplace deficiencies”.** The “partnership market place” can be constructively augmented by establishing a facility or program to identify, nurture and support partnership relations and through the provision of technical skills designed to improve an organization’s ability to partner plus seed capital to test collaborations.

4. **Trilateral partnerships.** Support in particular for so called *trilateral partnerships* where USAID plays a catalytic role between two entities would appear to offer particular promise because these relationships tend to be more sustainable than *linear* relationships where the focus is on shorter term accomplishments. The emphasis on a supportive and non-directive role for USAID is consistent with the long term trend toward the privatization of foreign assistance and would constitute a new modality in the way the Mission operates and an appropriate early step in the process of gradual disengagement from concessional assistance to India.
5. **Working partnerships.** It is as important to construct *working* partnerships as it is *funding* relationships. The former are particularly important in scientific and academic areas and can lead to funding relationships once trust and familiarity have been established. The creation of information networks, professional associations, and international advocacy groupings can be just as important as more high profile *funding* relationships.
6. **NRIs.** Both individuals and NRI organizations constitute potential partners and possess resources that could be channeled to augment development activities. However,
 - a. These groups are very independent and it will take considerable effort to develop a relationship of trust.
 - b. Any effort to work with the NRI community will have to address their concerns regarding government.
7. **External constraints.** The impediments and constraints that would confront Mission attempts to move forward in this area are difficult and very real and would need to be candidly addressed in the design of a new facility or program. Most of these risks are bundled loosely under the word “government” and derive from the real or imagined impediments of procedure, attitude and perception that USAID would need to address. None of these difficulties would appear to constitute an absolute prohibition on forward movement.
8. **Internal constraints.** USAID procedures, systems and current approach are perceived as being at variance with an emphasis on building partnerships, particularly *trilateral* relationships where the emphasis is on a low profile enabling role. While problematic, these difficulties can be addressed in the design of a new initiative and do not constitute an absolute prohibition.

Section II. Strategic Alternatives

The fashioning of a Mission Partnership Strategy is complicated because it involves choices in three interlocking areas that do not fall into a clear sequential pattern. These are:

Deciding whether to proceed with a discrete partnership initiative.

Identifying the thematic or sectoral content of what types of partnerships should be promoted or alternatively deciding that a thematic perimeter is not appropriate.

Choosing mechanisms or instruments that the program might employ.

Choosing the appropriate structure to implement the initiative.

The following discussion is predicated on the assumption that the Mission has made a determination to proceed with a Partnership Initiative of some sort and that it is facing decisions with respect to program, mechanism and structure.

Part I. THEMATIC OR SECTORAL CONTENT or FOCUS

This is arguably the most difficult question that the design of a separate partnership initiative will need to address. At one end of the continuum an effort to proactively build partnerships could be sharply bounded by current Mission programs and priorities. At the other end it could range across the entire spectrum of potential social, scientific and economic interactions between organizations.

There is a valid argument that a partnership initiative should not be constrained by a cross-cutting program emphasis: the process of forming partnership relations *per se* is an adequate and sufficient purpose as long as these supported relationships are within the development assistance rationale set forth in the Foreign Assistance Act. A flexible approach would allow access to the widest number of potential partnerships and the greatest likelihood that an initiative would be successful.

The alternative view is that it is essential to pick a sector or area of focus such as health or science and technology or the strengthening of civil society in order to integrate resources, develop a clear sense of purpose and know what the partnerships will accomplish. The concept of generic partnering is so loose as to allow support for virtually any activity and scarce USAID resources will be lost if partnerships *per se* become the focal point. The GDA appears to take this latter perspective with its iteration of the importance of results.

In fact, both emphases are important and both need to be addressed in a meaningful initiative. The emphasis on the partnering process is critical because it helps define the type of program that will be effective and the skills and attitudes that will be needed to

manage it. The emphasis on content is critical because it establishes a valuable limit on the scope of activities, a basis on which to initiate a dialogue with prospective partners and an identity for the new program that will be needed if it is to be successful.

The following sets forth the broad rationale for a partnership initiative bounded loosely within the domain of the independent sector.

Independent Sector Domain

Broadly conceived, the healthy development of the Indian Independent Sector has strategic relevance to the development process and to the broad formulation of long term USAID Mission strategy.

- NGO advocacy groups have an important role to play in continuing to push for social change and in pressing government and the commercial sector to adopt policy reforms.
- NGO public policy organizations are important in the analysis of public policy choices and the articulation of alternative and more effective approaches. (In some countries, USAID has designed and implemented projects expressly designed to strengthen the capacity of these groups in the belief that the momentum for policy reform needs to be located in the private sector.)
- Social service NGOs can work closely with government to supplement the services provided through the public sector and reduce pressure on limited government budgets.
- A viable structure of grass roots associations is generally correlated with a reduction in social tensions and ethnic, political and religious conflict.²⁰
- More generally, an active Independent Sector tends to act as a transmission belt between citizens and government by structuring public opinion and bringing it to bear in an organized manner and at the same time providing a vehicle through which government can access key constituencies. This is particularly important in the Indian context because of the tenuous connection “between ruler and ruled except during elections.”²¹

Within the broad domain of the Independent Sector, there were 2 areas of potential emphasis that appear to offer promising opportunity.²²

²⁰ “One scholar who has taken a look at Hindu-Muslim violence finds ...the only factor that can account for [a lowered incidence] is the extent to which multi-ethnic civil society groups exist and are active.” Page 6, “India: A preliminary DG Assessment”, Lynn Carter and Edward Anderson, MSI, May, 2001.

²¹ Ibid

²² An additional area of specific interest to NRIs and the Indian corporate community is literacy and primary education. The interest in improving literacy against targeted levels is consistent with OECD

Building corporate social responsibility. This is an important emerging field. There is considerable evidence that corporate community involvement can be stimulated through programs of education, technical assistance and peer support. While DFID and others are working in this area, the United States has had considerable experience and there are a number of American non-profit entities that could assist in program design. In particular, Business for Social Responsibility and its affiliate chapters throughout the country have had considerable impact on corporate behavior in America and their expertise and outreach could be tapped. What is attractive about this model is that it is not adversarial but rather based on an identified linkage between “doing good and doing well”. Participation is viewed as a net benefit to the company and as a long term investment in profitability.

In India, there is a real opportunity to reach out to the corporate sector and influence attitudes toward community and the social and economic development of the country. Most 3rd generation NRIs are familiar with the concept of social responsibility and would support an effort to develop a similar program in India. The Business Leaders Forum is already doing very good work in this area in Delhi and Calcutta; however there is ample room for an expanded effort at the State level.

Strengthening Intermediate Support Organizations. It is increasingly understood that the building of intermediate support entities (ISOs) is critical to the viability and health of the Independent Sector. These entities perform a variety of critically important functions ranging from legislative advocacy to the provision of management training to the codification and adoption of codes of behavior and standards of performance. They tend to legitimize the role of the sector in the eyes of government, augment professional capacity and facilitate resource development through the provision of information and the certification of competence. The barrier to the growth of so called ISOs is that these organizations are forced to compete for funds with the organizations that they are intended to support thus creating a competitive environment which tends to discourage their growth and success. In India, there has been a valuable effort lead by the Ford Foundation to establish several ISOs at the national level and very limited prospecting suggests that similar structures may be cautiously emerging at the State level.

While it is not clear that additional national level ISOs are needed at this time in view of the limited funding for these organizations, the support for the establishment and/or strengthening of a core of ISOs at the State level would appear to offer considerable promise. A program focus of this sort would not

Millennium goals and appeals to the NRIs and to corporate entities because it tends to be goal based, quantifiable and increasingly driven by the application of new IT technologies.

necessarily involve or necessitate partnership relations although it could be funded by any or all of the entities that are discussed in this Report.

Mechanisms and Functions

From a different perspective, there are 3 distinctive partnering **functions or mechanisms** that surfaced during the course of background discussions. These constitute an emphasis on the “tools” for building partnership entities rather than on the consequences that flow from those relations. Each of these could be pursued singularly or in combination with the other.

Intermediary advisory function. There is a clear need for an intermediary entity with an on the ground presence in India that could work with and advise overseas donors, particularly NRI individuals and smaller groups that lack the resources to establish an office in India. An entity of this sort could: identify worthy programs and organizations; match these programs with interested donors; certify managerial and technical proficiency; audit financial records and evaluate performance. In addition to these facilitating responsibilities, the Intermediate entity could be given a modest fund of its own to “seed” prospective partnerships through support of conferences, joint planning sessions, employment of consultants and support for joint projects designed to test the workability of the relationship.

“Community foundation” functions. The Community Foundation model is rooted in the concept of resource pooling whereby relatively small donors can be assured that their charitable goals will be honored and implemented in a professional manner. Community foundations are attractive because they raise the standards of philanthropy, legitimize charitable giving and enhance community identity and pride. In addition they tap resources that might otherwise be unavailable by offering small and medium size donors an opportunity to donate in a professional manner. For reasons that are unclear, community foundations have not yet take root in India which may reflect fundamental suspicion of intermediary organizations.

The concept of a community foundation for NRIs and other overseas donors is a model worth exploring. The scope of an entity of this sort could be drawn narrowly to deal only with overseas residents or broadly to tap contributed funds from indigenous institutions such as small corporations, foundations and individuals. The entity could be structured to provide advisory services outlined above in addition to responsibility for the wise investment and charitable disbursement of program funds. The funding of a community foundation would itself constitute a “partnership” and the program could concentrate principally on the further building of partnerships for a development purpose. In addition to contributed funds, the community foundation could be launched with a fund of its own to deploy in support of partnership development.

Venture philanthropy function.²³ The language of Venture philanthropy has particular appeal to corporations and business donors because of the emphasis on accomplishments and the analogous relationship between donor and recipient and investor and small business entrepreneur.

Traditionally, government donors and foundations concentrate on meritorious projects and tend to give second place to the long-term development of the organization. Venture philanthropy shifts the focus to place primary emphasis on the organization as a durable vehicle to accomplish a program goal. While there are variants, venture philanthropy includes more emphasis on organizational capacity building, deeper involvement of the grantor in the business and operation of the grantee and the development of a joint long term exit strategy. A venture capital approach requires staff that is trained in organizational development and a willingness to devote more staff time to interaction with a grantee than is usually the case including for example, taking a temporary seat on the board of directors.

Advantages of Working at the State Level.

There is an interesting case that the most effective way of supporting the emergence of a viable independent sector in India is to work at the State level and in particular to replicate at the State level the range of intermediate support organizations that have begun to appear at the national level. While this argument needs to be tested the reasons for it include:

- It is consistent with a broader emphasis on decentralization and devolution of power to the states and to the growing role of State governments in the provision of social services and in the establishment of policies governing the operation of NGOs.
- In significant part as a result of good work done by the Ford Foundation, the key intermediary organizations that are needed to support the maturation of the sector at the national level have been established. Arguably, it is now important to establish a corollary group of support entities at the State level, particularly those that can provide direct assistance to NGO constituents and that can work with local legislatures to define an environment conducive the growth of the sector.
- Regardless of good intent and ample resources, India is simply too large and complex to allow much discernible impact at the national level.

²³ The seminal article that galvanized early interest in Venture Philanthropy was: "Virtual Capital: What Foundations can Learn from Venture Capitalists: by Christine Letts, William Ryan and Allen Grossman in the Harvard Business Review, March/April 1997.

Part II. STRUCTURE AND FORM

What follows is a brief outline of three alternative strategies that the Mission should consider if it decides to move forward with a deliberate partnership initiative. These approaches are designed to sketch out fundamental alternatives, not to put forth a detailed design. Although each approach is described as a discreet alternatives, under each scenario there a variety of possible adjustments and gradations.

A. Internal Mission Shift in Emphasis and Approach

This option would concentrate on building partnerships within existing Mission priority areas and established program areas. The approach would concentrate on functions (e.g. the intermediary role) not on program content (e.g. literacy and primary education or building ISOs in the independent sector.)

Aside from the possibility of internal staff adjustments and the likely need to augment staffing levels, this approach would not necessitate serious structural change. Partnership relations would be identified by current program units and supported by these units with additional resource made available for this purpose. The planning and budget process would be adjusted to provide an incentive to support partnerships and a deliberate attempt would be made to orient and train staff so that they gave partnerships greater emphasis and be better able to identify factors correlated with success. Specific innovations might include: an allocation of funds to support partnership conferences and planning sessions; support for introductory conferences between US and Indian NGOs working in a similar area; a set aside of program funds for increased US travel; a deliberate set aside of front office time to allow more time for the extensive personal interactions that are so critical in the formation of partnerships.

Advantages of this Approach

Near Term

Builds relations and programs that support Mission priorities and activities and that will increase the likelihood that the Mission is successful in the pursuit of its specified objectives.

Builds on the established professional capacity of Mission staff and avoids the confusion and disruption that the establishment of a separate entity would cause. (See option 3).

Takes advantage of the wide and rich assortment of current partnership relations that the Mission has established.

Does not require difficult procedural or attitudinal changes.

Does not necessitate a large infusion of additional resources and requires only a modest augmentation of staffing levels.

Is feasible and reasonably risk free in that lack of success carries no significant budgetary cost or programmatic failure.

Long Term

Begins to shift Mission programs, attitudes and procedures to gradually build a fabric of durable relations that will sustain the development assistance effort in India for the long run. By working within the current structure, this approach is likely to be most effective in shifting the Mission's development paradigm from a directive to a supportive and facilitative approach.

Disadvantages of this Approach

Near Term

Does not establish designated responsibility for the identification and nurturing of partnerships with a set of procedures and attitudes that are designed to do this successfully.

Severely limits the search for partnership relations to established priority areas, ignoring many other important possibilities for developing the Indian independent sector that have been identified in this Report.

Ignores many of the warning signals identified from interviews and background discussions including: incompatibility of the current USAID results process; the cumbersome weight of procurement and monitoring procedures; concern regarding relations with the US government.

Does not pro-actively respond to the programmatic or funding opportunities identified in the body of the report. Thus for example, while this option does not rule out working with NRIs or supporting a community foundation, the capacity to develop these initiatives is significantly retarded.

Adds a considerable additional burden to staff that are fully engaged such as added travel time, increased networking and is therefore likely to be unsuccessful.

Does not address the issue of GOI oversight or the desire on the part of Mission staff to explore new ways of doing things.

Long Term

Forgoes an important opportunity to establish an institutional structure that will be successful in working with the private sector and that will be able to maintain a

fabric of strong relationships for the long term and after the termination of US concessional assistance.

B. Establish an Independent Project to Identify and Support Partnership Relations Aligned with and Supportive of Mission Priorities.

This option would place responsibility for partnership creation in an outside entity, either pursuant to a cooperative agreement with a PVO or NGO or a contract with an implementing firm. This entity would work in tandem with Mission Program staff to identify, nurture and support partnership relations within established program areas. (A variant could include limited exploratory work in new areas.) Unit staff would function in a supportive and facilitative relation with Mission personnel and would be housed close to or perhaps within the Mission. Functions could include: general prospecting, networking and travel; convening of conferences, support for introductory meetings, drafting of proposals, provision of technical assistance to prospective partners and provision of limited funding for exploratory projects. This approach could be implemented either through an American or Indian entity with a clear preference for the latter.

Advantages of this Approach

Near Term

Provides the organizational benefits of designated responsibility, sustained and concentrated effort and the opportunity of building expert technical competence in the domain of partnership building. Thus, more this approach is much more likely to be successful than an attempt to integrate the function into ongoing Mission operations.

Allows continued pursuit of current USAID priorities with minimal disruption and without the necessity to augment budget or staffing levels for purposes of partnership building.

May permit some flexibility (or buffering) with respect to the application of USAID monitoring and procurement regulations.

Reduces the tension between results based programming and the unpredictable nature of partnership building.

More likely to be successful in reaching out to new funding sources such as the American Indian Foundation or US foundations.

Long Term

This option establishes a quasi independent structure that could eventually be “privatized” and that would form the nucleus of a very significant US initiative.

Disadvantages of this Approach

Near Term

It is based on the incorrect premise that the identification and support of partnerships is a distinct activity that can be separated from core program work. Substantive involvement of the program divisions cannot be ignored

From a management perspective, it is difficult to cleanly separate partnership development from the ongoing work and responsibility of the program divisions. This option could lead to confusion, misunderstanding and tensions.

Does not adequately address limitations in USAID procedures and results based approach or constraints inherent in GOI oversight of the program. These would still apply to the newly created project.

Long Term

The danger of this approach is that it effectively sidelines responsibility for identifying and building partnership relations by placing it in someone else's hands. The opportunity to engineer a dramatic shift in the development assistance paradigm is foregone.

Establish a Private Independent Entity (“The US-India Institute for Development Cooperation”) with a Mandate to Promote Partnerships within Broadly Defined areas designed to strengthen the Indian Independent Sector.²⁴

This option envisions an independent private entity (the “Institute” for purposes of discussion) that would identify, nurture and develop partnership relations with a much greater flexibility and broader scope than envisioned in the two preceding options. The program structure of the Institute would be built on the basis of a careful and comprehensive assessment of resource availabilities and program possibilities.

For illustrative purposes, three program divisions would be established: building social responsibility; strengthening intermediate support organizations; building literacy and primary education. It is anticipated that there would be a close working relationship with the USAID Mission and that the Institute would have a mandate to facilitate partnerships in support of USAID priorities to the extent feasible. Ideally, the Institute would have an endowment of its own that it could deploy to match contributed funds and to support

²⁴ In 1980 the Carter Administration unsuccessfully proposed the creation of an Institute for Scientific and Technological Cooperation that would have fostered partnership relations between American and developing country institutions in such areas as agriculture, health, population, education, and the environment. The initiative was supported by key leaders in the university, scientific and development community in part because it constituted a new modality in US relations with the developing countries and stressed the two-way benefits that flow from partnership relations.

promising partnership activities that had a solid prospect for leading to durable relationships.

The Institute would have authority to seek private funding, receive and invest donated resources, finance and support partnership relations and draw down the corpus of its endowment over a period of years in order to supplement program funds. Its organizational structure would be comprised of a US parent entity that would establish broad policies and oversee the endowment investment and a local organization that would receive, manage and program distributed funds. Both bodies would be governed by Boards of Directors with *ex officio* representation in the United States from USAID and perhaps the GOI. The local organization would either be newly created or preferably an expansion of an existing entity.

Advantages of this Approach

Near Term

Of all the options, the one most likely to have a material impact on the partnering opportunities addressed in this Report.

Newness and independence allow the design of systems, procedures, attitudes and styles of operation expressly tuned to the mandate of the organization.

Flexible mandate encourages a creative response to a wide spectrum of partnership opportunities.

Once established, could operate outside operational oversight of the GOI, thus constituting a “new way of doing business”.

Could be structured both to support ongoing Mission priorities and to identify new areas of interest.

Long Term

Constitutes a long term investment in India’s future and in US/India relations and a legacy to celebrate nearly 50 years of successful development assistance.

Embodies the central motif of a constructive USAID phase out and exit strategy leaving in place an entity that will continue to capitalize on the comparative expertise of both countries.

Disadvantages of this Approach

Near Term

Not likely to become operational in the short term, so immediate benefits will not materialize.

Current information is inadequate to justify a decision of this magnitude.

Creation of a splashy new US entity is not warranted and will alienate prospective participants.

All of the negatives associated with option # 2.

Long Term

The long term need for a facility to catalyze partnership relations has not been established. With increasing contact between American and Indian organizations, the formation of alliances in a natural and spontaneous fashion is likely to occur and the need for a government subsidized independent entity will disappear.

Part III. CONCLUSIONS

Program Content and Focus

1. **Domain.** The US and Indian Independent Sectors constitutes a domain of institutions around which a USAID program initiative could be constructed. The boundary is sufficiently permeable to allow virtually any type of partnership relation and sufficiently defined to provide a rough clarification of program intent. A broad focus on building and strengthening independent sector institutions would allow particular emphasis on the areas of program opportunity mentioned in the Report and would be particularly supportive in responding the concerns enumerated in the Democracy and Governance Assessment.
2. **Program focus.** Strengthening corporate social responsibility and building intermediate NGO sector support organizations offer promising areas for more extensive exploration. These are areas of interest to foundations, corporations, and the NRI community and to Indian government. Progress in these two areas would be broadly supportive of current Mission programs.
3. **Point of intervention.** A state-level concentration makes conceptual sense pending further discussions with local organizations and state officials.
4. **Mechanisms.** Primary initial emphasis should be placed on creating an intermediating function that could assist in the identification of partnerships and nurture these relationships with a combination of technical managerial assistance and

seed capital to test alliances and move them productively forward. Second emphasis should be placed on the design of a facility that would have authority to accept, manage and program contributed funds similar to a community foundation. This possibility of endowing a program of this sort should be explored.

5. **Trilateral and unilateral partnerships.** The primary emphasis of a distinct initiative should be on *trilateral* partnership relations. *Linear* partnerships with USAID are valuable and important but do not warrant a distinct initiative or a separate institutional identity or home. USAID has worked on these relationships for years and there is no reason to set up a separate program or structure to support them.
6. **USAID's comparative advantage.** USAID's strength as a convener, coordinator and nodal point of contact that can legitimate emerging relationships needs to be integrated into any partnership initiative for it to be successful.

Structure and Form

Near Term

1. **Defer the "Institute".** While by far the most exciting and interesting, there is inadequate information to support an initiative to establish an independent Institute (Option 3) at this time.
2. **Do not proceed with a broadly focused external project.** The establishment of an independent partnership "project" under the aegis of a contractor or an American PVO outside the Mission structure designed to build partnerships across the full spectrum of Mission programs is not a workable alternative because of the difficulty of disentangling "partnering" from the ongoing work of the Mission.
3. **Do consider an external project that is focused on the Independent and on social responsibility and ISOs.** The intermediate model of creating a project outside the Mission whose purpose would be to build partnerships focused on the independent sector is a workable model and should be seriously considered. This alternative would bundle some or all of the functions described in the Report (intermediary, community foundation, venture philanthropy) and focus on using these resources pro-actively to structure partnership relations. In view of the extensive lead time, it will take at least two years to get this project up and running.
4. **Undertake internal shift in Mission approach.** An internal shift in Mission emphasis and approach should be undertaken in the short term and should include a number of small initiatives designed to shift emphasis on partnership identification and support.

Long Term

Phased long term strategy. The Mission should develop a phased long term strategy that would lead to the establishment of an Institute for American/India Cooperation in approximately 4 years.

Part IV. REPORT RECOMMENDATIONS

1. The Mission should initiate a design effort to capitalize on the opportunities identified in this Report.
2. The Design should be predicated on the preliminary premise of a series of linked initiatives over a 3-5 year period culminating in the establishment of a private entity that would cultivate and support US/India partnerships.
3. Principal components of the design effort should include:
 - Preparation of a plan to shift internal Mission priorities and operations to place greater emphasis on the identification and support of *linear* and in particular *trilateral* partnership. This effort should include identification of specific impediments in the procurement and or monitoring and oversight system that need to be addressed. The conceptual time frame for this shift in emphasis should be from 5 to 7 years and constitute a gradual re-orientation of the Mission program toward partnerships, alliances and collaborations between other entities that can further USAID Mission goals if and when the concessional assistance program is phased out. This shift in emphasis should not necessitate new project funding or GOI approval.
 - Preparation of a state level strategy on the building of intermediate support organizations in support of the independent sector in a minimum of 3 states with an emphasis on partnership relations.
 - Preparation of a corporate social responsibility strategy on how to best introduce and promote these practices in collaboration with other organizations working in this area, emphasizing partnership relations.
 - Identification of the range and types of intermediate support organizations necessary to the strengthening of the independent sector in designated states and the formulation of a strategy to capitalize on partnership relations to build these capacities.
 - The pro-forma design of an Institute for American/Indian Cooperation endowed by the US government with authority to seek, receive and program contributed funds.

- Establishment of either an internal or external capacity to begin an ongoing liaison effort with NRIs, US foundations, key US companies and other individuals and organizations who constitute potential sources of financial support.
 - The systematic codification of Mission activity around a coherent partnership typology. (The distinctions used in this Report are suggested, though the Mission should fashion a typology with which it is most comfortable.
4. Mission staffing levels should be reviewed in order to accommodate the additional work that will be necessary. Specifically, it is recommended that the Mission establish a Partnership Program Unit to provide a point of contact and to lead the effort within the Mission.

Appendices

- I. Scope of Work**
- II. Resource List with Names of individuals interviewed in excel format.**
- III. New York Times Article: Return Passage to India: Émigrés Pay Back**
- IV. Proposal from Digital Partners**
- V. Illustrative print outs of relevant NRI web pages**
- VI. Establishing a USAID funded endowment: A Malawi Case Study, by C. Stark Biddle.**